

A More Realistic Cost Analysis of Eliminating Waiting Lists

Appendix A of the DBHDS Cost Analysis includes a section addressing the “financial impacts of trying to eliminate or significantly reduce the ID/DD waiting lists.” While this appendix provides useful information, it fails to account for the great majority of the real costs to eliminate the lists. There are three principal reasons that Appendix A is incomplete:

1. It fails to account for additional growth in demand for ID/DD supports over the intervening 6 years from FY15 thru FY21.
2. It fails to acknowledge the real cost of EDCD waivers to taxpayers.
3. It does not include the direct Medicaid payments to doctors, hospitals, and therapists associated with waiver placements.

It should have also estimated the cumulative costs of eliminating those waiting lists over 6 years.

This analysis will estimate these missing costs from the data provided and other DMAS sources. A prior analysis performed by DMAS and published by the Governor of Virginia in 2009 was not employed as it might have been as a model for Appendix A to avoid these important gaps.¹ The prior analysis also accounted for inflation in wages and medical costs. In addition, Appendix A does not cover all of the public costs for waiver placements such as local CSB contributions, dental and other DDHSN costs, REACH services previously provided by Training Centers, etc. However, these many other costs will not be considered here.

The DBHDS Baseline Estimate

The baseline DBHDS estimate applies all future slots in the DOJ Settlement Agreement against the current waiting lists and then considers the additional costs of covering those remaining. If done correctly, this treatment would yield the FY2021 cost in current dollars of supporting those on today’s ID and DD waiting lists.

One discrepancy is worth noting. The analysis excludes as indeterminable the costs of 2,855 people on the ID/DD waiting lists with EDCD waivers. Those waivers provide supports to the elderly or disabled who are capable of living at home with some help at an average

¹ Office of the Governor. *Plan for the Elimination of Waiting Lists under Medicaid: Intellectual Disabilities & Individual and Family Developmental Disabilities Support Waivers*, prepared by DMAS, October 1, 2009.

of \$18,000 per year in benefits. Over the 6 years remaining in the agreement, most of those less disabled individuals would likely migrate to at least the support waiver costing \$30,000 per year if not to a nursing home or more intensive supports. This is a \$12,000 per year difference. More importantly, *Virginia already pays the \$18,000 per recipient as a benefit that does not appear in the ID/DD budget but probably should.*

If shifted to the ID/DD budget, distributed in proportion to those on the ID versus DD waiting list, and estimated based on \$15,000 of GF per individual, this would add \$42.8 million to the budget DBHDS estimate for FY21.

Costs from Expected Growth in Demand

The previous Governor's report estimated that the demand for new ID slots increases by 699 per year and those for DD increases by 154 per year. Since the analysis in Appendix A only addresses the current waiting lists, the need for waivers from this 6 more years growth in annual demand will result in an additional 4,194 people on the ID waiting list and 924 on the DD waiting list. Assuming the current mix of 60% urgent and 40% non-urgent ID waiting list census, with urgent need recipients costing \$68,000 per year and non-urgent \$30,000 per year as in Appendix A, this averages to \$52,600 per year on average for ID waivers. Hence in FY21, there will be $4,194 \times \$52,600 / 2 = \110.4 million more in GF per year to cover. Similarly for DD, $924 \times \$30,000 / 2 = \13.9 million more per year in costs to eliminate the growth in that waiting list. This would add a cost of \$124.2 million in FY21.

Direct Medicaid Payments

As the previous Work Group materials showed, there is about \$11,000 per year direct payment by Medicaid per waiver recipient. Without a waiting list in FY21, there will be $8,313 + 4,194 + 924 = 13,931$ new recipients of waiver services. Their annual direct Medicaid payments will be $13,931 \times \$11,000 / 2 = \76.6 million more in GF per year.

A More Realistic Estimate of Costs in FY21

The annual costs in FY21 would be the sum of:

1. \$145.3 million from the Appendix A, the sum for all but the EDCD waiver recipients
2. \$42.8 million for the ID/DD costs of those on EDCD waiver
3. \$124.2 million for the expected growth in demand

4. \$76.6 million for the direct Medicaid payments

The grand total is \$389.0 million per year in FY21. This is 6.5 times greater than the \$60 million required by the Settlement Agreement. In another comparison, Appendix A estimates the additional annual impact of eliminating the waiting list as \$85.3 million, 26% of the required \$389.0 million, or about one quarter of the actual cost to do so.

Cumulative Costs from FY15 Thru FY21

If DBHDS were to devise a plan to eliminate all waiting lists in 6 years by increasing coverage in uniform steps each year, the accumulation would cost $21/6 = 3.5$ times the estimated annual cost in FY21. This is because the sum of equal increments from 1 to 6 is 21, and the final costs are the full 6 increments. The cumulative cost over the ramp up 6-year period is, therefore, \$1,362.5 million.

The DOJ Settlement Agreement commits Virginia to funding 2,165 additional ID / DD waivers between now and FY21. Appendix A estimates this to add \$60.0 million to the annual costs for supports for those with ID or DD. Employing the same method to estimate accumulated costs rather than following the exact schedule in the Settlement Agreement yields an estimated \$210.0 million that Virginia is committed to cover. The \$1.363 billion is again 6.5 times the accumulated costs required by the Settlement Agreement.